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ABSTRACT

H.R. 4678, the Child Support Distribution Act of 2000, was scheduled for debate and a vote in the House of Representatives in September 2000. This bill would help poor children escape poverty, strengthen families, and build on and enhance welfare reform. The support changes in this bill would allow more of the child support collected from noncustodial parents (the majority of whom are fathers) to reach the children on whose behalf the payments are made. It would ensure that once a family left welfare, the family would have first claim on all child support paid by the father, rather than having child support go first toward the debt to the state. The bill would also create incentives for states to allow families to benefit from child support paid on their behalf. The fatherhood provision of the bill would provide funding to community-based and state programs working directly with low-income noncustodial parents. H.R. 4678 includes a number of provisions that would be beneficial to low-income children, families, and noncustodial parents. These provisions represent an investment in stronger families that should make child support easier to administer as states become empowered to integrate collection and distribution of child support with welfare reform strategies. (SLD)

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CENTER ON BUDGET AND POLICY PRIORITIES

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ED 446 187

H.R. 4678, THE CHILD SUPPORT DISTRIBUTION ACT OF 2000, INCLUDES SIGNIFICANT CHILD SUPPORT CHANGES BENEFITTING LOW-INCOME CHILDREN

A Brief Explanation

H.R. 4678, The Child Support Distribution Act of 2000, will likely be debated and voted on in the House of Representatives on Wednesday, September 6. This bill would help poor children escape poverty, strengthen families, and build on and enhance welfare reform. It does so primarily by making important improvements to the child support system. The bill also includes a somewhat improved version of the fatherhood provisions in the Fathers Count Act of 1999 (H.R. 3073), which passed the House last November by a vote of 328-93.

The bill's child support changes would allow substantially more of the child support collected from non-custodial parents (the majority of whom are fathers) to reach the children on whose behalf these payments are made. When fully implemented, this bill would increase income to children and their custodial parents by over $1 billion per year.

The bill would ensure that once a family has left welfare, that family has the first claim on all child support paid by the father. Under current law, child support collected by intercepting the federal tax refunds of non-custodial parents is first applied to debt owed to the state. (When custodial parents apply for welfare assistance, they must assign to the state their rights to child support collected on their behalf. The debt owed to the state is the amount of child support that the non-custodial parent did not pay while the custodial family was receiving cash welfare assistance. Debt owed to the family is generally child support that was unpaid during periods of time when the custodial family was not receiving welfare.) Child support payments collected by intercepting tax refunds begin to repay debts owed to custodial families only after the debt to the state has been completely repaid. The amount of support collected by intercepting tax refunds is high: it accounts for about one-third of all arrears collections and two-thirds of arrears collections for families on welfare.[1] This change in the child support system would help custodial families that have left welfare to stay off welfare by providing additional resources to them at a time when they are likely to be vulnerable to economic hardship.[2]

Another important change the bill makes would create a financial incentive for states to

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[1]OCSE Annual Report and OCSE press release, January 27, 2000.

[2]Pamela Loprest, *Families Who Left Welfare: Who Are They and How Are They Doing?* The Urban Institute, 1999.

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allow families to benefit from child support paid on their behalf while they are recipients of cash assistance through the Temporary Assistance for Needy Families (TANF) program. Under the current system, children generally do not benefit from child support paid on their behalf if they live in a family that is receiving cash assistance. In the majority of states, the government retains *all* child support paid on behalf of families receiving welfare. In these cases, all child support payments a non-custodial father makes are retained by the government, and none of his payments benefit his children. From the perspective of the fathers — and their children — this is effectively a 100 percent tax rate on the father's child support payments. In 1998, states collected $2.6 billion in child support for children in families receiving public assistance and passed along only $282 million — less than 11 percent of it — to the families and children for whom the money was intended.

Both custodial and non-custodial parents can be discouraged and frustrated when their child support payments yield no benefits for their children. H.R. 4678 would give the states the flexibility to change these policies, lower the effective tax rate on child support, and ensure that all children in their state benefit when their fathers pay child support.

H.R. 4678 also would dramatically simplify rules governing the assignment and distribution of child support payments. According to the National Governors' Association, "The complexity of current child support distribution rules creates a costly administrative burden for both states and the federal government. Governors believe that easing this extensive burden through some type of simplification may allow a greater share of time and resources to be focused on improving the economic security of families."[3] The current rules are expensive to administer, and difficult for child support staff to explain and for both custodial and non-custodial parents to understand.

Fatherhood Provisions

The fatherhood provisions included in this bill would provide funding to community-based and state programs working directly with low-income non-custodial parents. These funds would be provided on a competitive basis to encourage the child support agency, the TANF program, workforce development organizations, and community-based organizations to work together in delivering a variety of services to non-custodial parents. An important change that H.R. 4678 makes to the original Fathers Count legislation addresses the issue of domestic violence, in part by giving funding preference to community-based organizations that partner with domestic violence programs.

The goal of these services for non-custodial parents would be to increase the employment rates of such parents, encourage them to become more involved in the lives of their children, assist these parents in meeting their parental responsibilities, and promote marriage. It should be noted that the bill defines the goal of marriage promotion broadly. Under this bill, grant applicants can satisfy the marriage promotion requirement by providing a variety of services

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[3]NGA's published position regarding child support financing. Available online at http://www.nga.org/106Congress/ChildSupport.asp.

designed to make non-custodial parents better potential marriage partners, such as employment programs or other services that help build relationships between fathers, their partners, and their children in a safe way.

There is much we need to learn about how government policies should be structured to assist low-income non-custodial parents successfully in becoming more responsible fathers, becoming employed, and paying child support. Given the relatively small amount of federal funds available for fatherhood programs, there are essentially two ways to disburse the funds: 1) to provide funds to all states, which in turn would fund a broad array of fatherhood programs; or 2) to provide substantially more federal funds directly to a much smaller set of selected fatherhood programs that are the most innovative and that have successfully integrated child support and employment programs in their local communities. The latter approach, which H.R. 4678 adopts, is preferable because it provides sufficient funds in selected localities to implement different approaches on a large enough scale to permit evaluation. This will enable other localities, as well as federal and state policymakers, to learn what works and what does not.

In summary, H.R. 4678 includes a number of complementary provisions that are beneficial to low-income children, families, and non-custodial parents. The responsible-fatherhood provisions in the bill are intended to help low-income fathers improve their capacity to support their children financially and emotionally. The changes the bill makes in the child support system would allow a larger portion of the child support that low-income fathers pay to benefit their children. These provisions represent an investment in stronger families that should reduce poverty among these children, help low-income non-custodial parent receive services they need, and strengthen children's ties with their fathers, who will be better able to see the result of their hard-earned contributions when they pay child support. These changes should make child support easier to administer and empower states to integrate the collection and distribution of child support with their own welfare-reform strategies.

Summary of the Provisions in H.R. 4678

- Changes assignment and distribution rules so children in custodial families benefit more from child support paid by fathers. When families leave welfare, all child support collections used to pay off arrearages will be used to repay debts owed to families first before they are used to repay debt owed to the government. The bill also gives states the option of distributing to custodial families that are receiving welfare more of the child support payments made on behalf of children in these families. If the bill is enacted, custodial families and children will receive over $1 billion per year in additional income according to Congressional Budget Office calculations.

- Simplifies state child support systems by streamlining the rules governing assignment and distribution of child support payments. The current system of assignment and distribution is overly complex, poorly understood by parents, causes computer snarls, and forces states to incur extensive administrative costs.

- Provides monies through a competitive grant process to innovative fatherhood programs so they can provide needed services to low-income non-custodial parents to help them support and raise their children.

- Requires states to review child support orders enforced by the state program every three years using a simplified process.

- Strengthens specific child support enforcement tools. These provisions would lower the amount of child support arrearages that trigger a passport denial from $5,000 to $2,500, expand the tax refund intercept program to collect child support debts for children who are no longer minors, and allow partial garnishment of veterans' disability payments to repay child support debts.

- Prohibits the recovery of Medicaid-related birthing costs from low-income non-custodial parents. Under current law, at the time that the child support order is initially set, some states may seek to recoup prenatal, birthing, and newborn care costs paid by Medicaid. There is some evidence that this practice causes mother to forego prenatal care. This practice may also discourages voluntary paternity establishment.

- Requests a GAO report on the activities of private child support enforcement agencies and permits demonstration projects to determine the extent to which public agencies other than the child support agency can assist in establishing and collecting child support orders.